

HOME FRONT

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

SPRING 2001

MESSAGE FROM THE EXECUTIVE DIRECTOR

This spring is an exciting time for the affordable housing industry in New Jersey! Low- and moderate-income home buyers will reap the benefits of lower interest rates on HMFA mortgages. In January, we reduced our home buyer mortgage rate to 5.875% with 3 points. This decrease in interest rates allows prospective home buyers to save money on their mortgage payment each month and increases buying power.

Affordable housing will reach a milestone this spring as the Ethel R. Lawrence Homes celebrates its grand opening 30 years after its namesake began her crusade for affordable housing. To learn more about this landmark development see the story titled *A Dream Comes True*.

More affordable rental housing is on the horizon thanks to new federal legislation raising the per capita distribution of federal Low Income Housing Tax Credits. The increase will allow more developers to take advantage of the tax benefits of building affordable housing for our neighbors. In the 2001 cycle, HMFA will be allocating an additional \$2 million in tax credits bringing New Jersey's total allocation to \$12.3 million.

We believe these changes will bring greater access to affordable housing for many low- and moderate-income New Jersey residents. HMFA will continue to deliver the latest news through our newsletter, Home Buyer Information Fairs, tax credit seminars and our seventh annual Governor's Conference on Housing and Community Development. We look forward to seeing you in Atlantic City on September 24th & 25th.


DEBORAH DE SANTIS

A DREAM COMES TRUE

Ethel R. Lawrence's vision of replacing converted chicken coops and tarpaper shacks with clean, safe homes for low-income families is now a reality. In November 2000, thirty years after she spearheaded the effort to build affordable housing in Mt. Laurel, the first tenants moved into the apartments named in her honor.

In the late 1960's, Ethel R. Lawrence was a member of a community group from the Springville section of Mt. Laurel Township and assisted in drafting the proposal to build 36 garden apartments for low-income families. The Springville Action Council had received a grant from the Department of Community Affairs to take out an option on a 32-acre parcel of land and recruited volunteers to design the complex. The group was planning on federal subsidies to complete the project



The Ethel R. Lawrence Homes in Mount Laurel, N.J. opened in November 2000. The development is named in honor of Ethel Lawrence, a champion of affordable housing in New Jersey.

In 1970, the Springville Action Council presented the township council with the proposal to build the apartments. To move forward they needed the township council to amend its zoning law, which only allowed single family homes. The council denied the request citing the township's desire to attract new homeowners, fears that low-income apartments would diminish existing property values, and the group's inexperience.

In 1971, assisted by attorney Peter O'Connor from Camden Regional Legal Services, the group brought suit against the township, which resulted in the famous "Mount Laurel Decisions." In the Mount Laurel decisions (1975 & 1983), the state Supreme Court ruled that municipalities have a duty to create a realistic opportunity for low- and moderate-income housing.

When Peter O'Connor founded the Fair Share Housing Development Corporation to build affordable housing in South Jersey, Ethel Lawrence served as president until her death in 1994. Although Ethel Lawrence did not live to see her dream of new apartments for low- and moderate-income families come to life, her daughter Ethel Lawrence-Halley continues the work her mother started as Project Administrator for Fair Share Housing.

"Ethel Lawrence believed everyone should have a decent place to live, no matter what his/her income. We are proud to finance affordable rental housing and homeownership opportunities throughout New Jersey. Seeing the Ethel Lawrence Homes full of hard-working families and happy children is truly a dream come true."

Commissioner Jane M. Kenny
Department of Community Affairs

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"IT IS THE BEST OF TIMES ...
IT IS THE WORST OF TIMES!"

**By Martin Bershtein, Director
Division of Tax Credit Services**

The Federal Low Income Housing Tax Credit Program under 26 U.S.C. §42 received an unexpected tremendous boost on December 26, 2000 when new legislation was signed into law expanding the program's funding from \$1.25 per capita to \$1.50 in 2001, \$1.75 in 2002, and indexed for inflation thereafter. For New Jersey, the increase means another \$2,000,000 in tax credits in 2001 generating an additional \$15,000,000 in investor capital for affordable housing construction and rehabilitation.

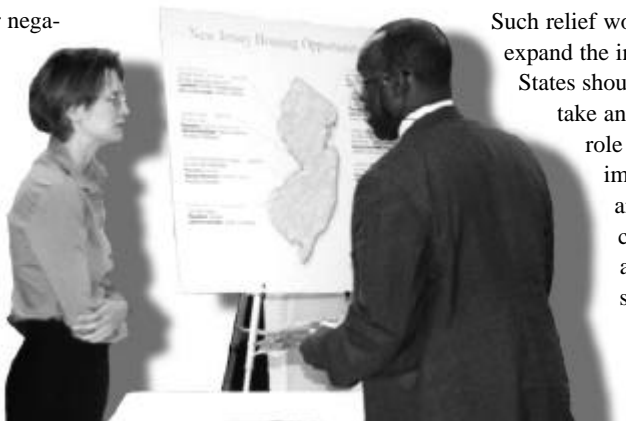
Despite this finding of the pot of gold at the end of the rainbow, there are clouds on the horizon which may impair this increase, possibly reversing the expansion and resulting in a contraction. Direct investors have recently increased their demand for investment yield, diminishing the purchase price of tax credits. Several syndication firms are strapped for cash because of the volatility in the stock market and the California Energy Crisis. Stock market volatility has dampened investor's appetite for 4% tax credits because of their negative impact on company earnings per share. Edison Capital, whose parent is a California utility, is

seeking to reposition or sell its portfolio to raise cash for its parent. Chrysler Corporation, which purchased a majority of Fleet Bank's tax credit portfolio a few years ago, has suffered a 50% loss in market value over the past year and is seeking to raise cash by selling its tax credit investments. These market variables have already eliminated the pricing premium of 4% tax credits over 9% tax credits, and have dropped pricing from the low 80s to an expected 76-77 cent range this year. Further market turmoil combined with possible changes in the Community Reinvestment Act resulting from the new Senate Banking Committee, could possibly drop the pricing into the 60s. If pricing drops to 65 cents on the dollar, the increase in tax credit authority will be completely reversed for 2001.

Industry participants, states, and the NCSHA should continue efforts to maintain the Community Reinvestment Act's vitality particularly with respect to equity investment in affordable housing. Further, regulatory efforts should be pursued to eliminate the alternative minimum tax and passive loss restrictions on tax credit investors.

Such relief would greatly expand the investor pool.

States should also undertake an intermediary role and seek to improve investor and developer communication and relationships.



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The development bearing her name is located on 61 acres off of Moorestown-Mt. Laurel Road. Completed last fall, Phase I consists of 100 town house style units, a maintenance building and an outdoor recreation area that will be ready this summer. Phase II will contain another 40 units and another building for educational and recreational activities. The one to three bedroom town homes feature parking, central air conditioning, wall-to-wall carpet, a dishwasher, and a washer and dryer in each unit.

HMFA provided \$3.7 million in construction and permanent financing for the development which is affordable to families earning as low as 10% of the area median income. The Department of Community Affairs committed \$2.4 million from its Balanced Housing Neighborhood Preservation Loan Program. The project also received an allocation of Low Income Housing Tax Credits of approximately \$1 million.

HMFA WINS HUD CONTRACT

In 1999, the U.S. Department of Housing and Urban Development (HUD) issued a Request for Proposals to provide administration services for project-based Section 8 rental subsidy contracts. HMFA submitted a proposal to HUD and last year was awarded a three year contract to take over Section 8 contract administration duties for HUD administered properties in New Jersey.

Under the agreement with HUD HMFA anticipates receiving contracts for approximately 300 projects representing 25,500 housing units. HMFA is now responsible for conducting management and occupancy reviews, adjusting contract rents, processing Housing Assistance Payments to project owners, responding to health and safety issues, reviewing Section 8 budgets, and completing annual physical inspections of the properties, as well as a number of other monitoring tasks. HMFA will receive a monthly fee from HUD based on the number of rental assistance contracts the Agency is administering. On December 1, 2000, HMFA received the first installment of 195 contracts representing over 14,629 units throughout the state. Additional contracts were turned over to HMFA on February 1, 2001 and are more expected over the next several months.

"Administering the rental subsidy contracts for HUD is a new endeavor for HMFA and we are proud to expand our services by meeting the challenges it presents. We look forward to working with the owners and managing agents to ensure a smooth transition and develop a good relationship."

Deborah De Santis
HMFA Executive Director

HMFA hosted two orientation sessions in December 2000 and February 2001 for project owners and managing agents whose contracts are now administered by HMFA. The orientation familiarized the owners and agents with HMFA's new role, the contract administration offices and the new staff. The contract administration team is located at 650 South Broad Street (adjacent to HMFA) in Trenton under the supervision of Francis Thomas, assistant director of the Management Division. The Agency plans to hire additional staff (as needed) when HUD transfers new rental subsidy contracts to the Agency.

ELIZABETH LANDMARK BECOMES ASSISTED LIVING FACILITY



The former Elizabeth Carteret Hotel is being rehabilitated and converted into an assisted living facility, Carteret Senior Living.

One of downtown Elizabeth's glorious landmarks, the former Elizabeth Carteret Hotel, is about to take on a new purpose- as New Jersey's first urban assisted living facility. The former hotel will open its doors later this year as Carteret Senior Living, a 99-unit development for seniors who need additional support services.

HMFA will provide the developer, Colbrook Development Corporation, with over \$10.2 million in permanent financing to rehabilitate the hotel which is located near the Ritz Theatre, Elizabeth Playhouse and City Hall. The residents of Carteret Senior will benefit from the location by being within walking distance of shopping and public transportation.

"HMFA encourages adaptive re-use of buildings like the former Elizabeth-Carteret Hotel to preserve our history while creating affordable housing solutions," said HMFA Executive Director Deborah De Santis. "The design of Carteret Senior Living will preserve the character of the hotel while modernizing the space to provide comfortable living spaces and inviting community rooms."

Residents of Carteret Senior will have access to assisted living services similar to those offered in its suburban counterparts including meal service, adult day care and rehabilitation services. Carteret Senior will also address the needs of Alzheimer's patients with a nursing station and private dining room on designated floors. In addition, the building will contain laundry facilities, a library, exercise room, craft room and beauty salon. A day care center will be located on the first floor for use by members of the staff with children.

Ground breaking ceremonies for Carteret Senior Living took place in November 2000. The developer expects the facility to be completed this fall. After the rehabilitation, Carteret Senior will contain 87 efficiency units and 12 one-bedroom units. The monthly fees will range from \$2,533 to \$2,814 and 20 of the units will be set aside for seniors earning less than 50% of the area median income.



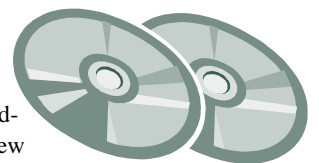
DCA AND HMFA DEBUT NEW COMBINED APPLICATION

Developers of multi-family housing in New Jersey will find it easier to apply for financing with HMFA's new Unified Application for Housing Production Programs (UNIAP). By completing one application, developers can apply for the Department of Community Affairs' Balanced Housing Program, federal Low Income Housing Tax Credits and HMFA multi-family financing. The UNIAP became available in February and was first distributed to developers applying for 2001 Low Income Housing Tax Credit allocations.

Staff at HMFA and DCA developed the UNIAP to ease the application process by reducing the amount of paperwork a developer must complete and by providing all appendices, supporting documents and Urban Coordinating Council maps on one disc. Instead of mailing out paper applications for each program, HMFA/DCA will now send out a CD-ROM containing the new application and instructions.

The UNIAP is an interactive program which provides detailed instructions and customizes the application depending on which type of financing the developer is applying for. Developers can complete the application by typing directly into the UNIAP file. Once the proper forms are completed, the user can simply print out the entire application and mail it to HMFA/DCA. A separate copy of the application must be submitted for each type of financing.

Users will need an IBM-compatible PC with Microsoft Office 97 or MS Office 2000 to use the new application. For those who do not have computer access, paper applications are still available. HMFA welcomes feedback on the new UNIAP CD-ROM. Comments can be sent to LBECERRA@njhmfa.state.nj.us.





HMFA

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Seventh Annual

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SEPTEMBER 24-25

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Governor's Conference
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Community Development



UPCOMING EVENTS			HOME FRONT SPRING 2001
APRIL			
3 RD • CAREER FAIR AT RIDER UNIVERSITY			
7 TH •MERCER COUNTY HOUSING FAIR			
1 2 TH •LIHTC APPLICATION DEADLINE			
2 6 TH •BOARD MEETING			
2 8 TH •BERGEN COUNTY HOUSING FAIR			
MAY			
2 4 TH •BOARD MEETING			
3 1 TH •SOUTH MONMOUTH REALTOR LUNCHEON			
JUNE			
2 ND •NEWARK HOUSING FAIR			
2 8 TH •BOARD MEETING			
JULY			
2 6 TH •BOARD MEETING			
<p>HMFA is always seeking experienced, qualified individuals to fill vacant positions within the Agency. HMFA offers a generous benefit package that includes: health, dental, prescription, vision, life and long term disability; tuition assistance for both undergraduate and graduate studies; pension and deferred compensation plans; extensive holiday, vacation, personal and sick leave packages; and flexible working hours.</p> <p>Vacancies are listed on the HMFA web site: www.nj-hmfa.com under Employment Opportunities. Resumes may be mailed to HMFA, Human Resources, P.O. Box 18550, Trenton, NJ 08650-2085 or faxed to 609-278-8858.</p>			
			
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